

Message Text

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ACTION EA-14

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TO SECSTATE WASHDC 3918

INFO AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

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AMCONSUL MEDAN

AMCONSUL SURABAYA

UNCLAS SECTION 1 OF 2 JAKARTA 10114

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TAGS: PINT, PFOR, ECON, ID

SUBJECT: PRESIDENT SUHARTO'S STATE ADDRESS

BEGIN SUMMARY: PRESIDENT SUHARTO DELIVERED TWO-HOUR ANNUAL STATE ADDRESS AUGUST 15 AT OPENING SESSION OF PARLIAMENT. SPEECH, AND ACCOUNTING OF SUHARTO'S ADMINISTRATION DURING FIRST FIVE YEAR PLAN (1968-1974) AND REVIEW OF SECOND PLAN, REPEATEDLY STRESSED NEED FOR STABILITY IN POLITICAL, SOCIAL AND ECONOMIC SPHERE AS ABSOLUTE PRECONDITION FOR DEVELOPMENT. PRESIDENT DWELT AT LENGTHON CONSTITUTIONAL FOUNDATIONS OF HIS ADMINISTRATION AND ADHERENCE TO DEMOCRACY, BUT MADE IT CLEAR, REFERRING TO JANUARY 15 RIOTS, THAT HIS GOVERNMENT WOULD NOT TOLERATE ACTIVITIES THAT MIGHT THREATEN INSTABILITY OR DISORDER. HE SAID GOI WOULD CONTINUE ITS EFFORTS TO "REORDER" AND "CONSOLIDATE" INDONESIAN POLITICAL STRUCTURE; THIS INCLUDED REFERENCE TO NEXT ELECTIONS AND "OUTGOING PRESIDENT." HE EMPHASIZED HIS PRIMACY IN CABINET APPOINTMENTS. ON ECONOMY, SUHARTO

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PRAISED INCREASE IN GENERAL WELFARE UNDER FIRST FIVE YEAR

PLAN, AND PROMISED GREATER ATTENTION TO EMPLOYMENT AND RISOCIAL JUSTICE IN FUTURE. ON FOREIGN POLICY, HE REITERATED "FREE AND ACTIVE" PRINCIPLE, AND SAID RECENT NEW INTEREST IN AID FROM SOCIALIST COUNTRIES IS REEFLECTION OF GOI'S ABILITY TO MEET STIFFER SOCIALIST AID TERMS AND DOES NOT REPRESENT CHANGE IN PODLICY. HE ALSO STRESSED IMPORTANCE OF ASEAN, ARCHIPELOGO THEORY, NOTED INDONESIAN PARTICIPATION IN ICCS AND UNEF, AND SAID INDONESIA WILL MEET WORLD'S EXPECTION OF GROWING GOI ROLE IN STRENGTHENING PEACE IN SEA REGION. END SUMMARY.

1. POLITICAL AFFAIRS. ROUGHLY FIRST HALF OF SPEECH WAS DEVOTED TO POLITICAL TOPICS AS WELL AS FORIGN POLICY. SUHARTO PLACED PRIMARY STRESS THROUGHOUT ON NEED FOR NATIONAL STABILITY AS "SINE QUA NON" FOR INDONESIAN DEVELOPMENT. IN SOMEWHAT RAMBLING PRESENTATION, SUHARTO TOUCHED ON FOLLOWING SPECIFIC SUBJECT:

A. JANUARY 15 RIOTS: IN CONTEXT OF STRESS ON NEED FOR STABILITY AS PRIMARY REQUIREMENT FOR SUCCESSFUL DEVELOPMENT, SUHARTO IDENTIFIED JANUARY 15 EVENTS AS CLEAR DEVIATION FROM INDONESIAN POLITPIAL PRINCIPLES AND 1945 CONSTITUTION. HE CALLED FOR FURTHER MEASURES TO ELIMINATE "SOURCES AND NEGATIVE EFFECTS" OF INCIDENT AND TO PREVENT ITS RECURRENCE." HE DECLARED THAT "THE MASTER MINDSBAND INSTIGATORS" OF JANUARY 15 HAD ATTEMPTED TO ENFORCE THEIR PURPOSES BY VIOLENCE AND MUST BE PUNISHED ACCORDINGLY. IN ANOTHER REFERENCE HE STATED "NO ONE AMONG US SHALL EVER AGAIN TAKE SHELTER BEHIND DEMOCRACY TO CREATED DISTURBANCES" OR USE "PRETEXT OF MAINTAINING CONSTITUHU ONSL LIFE" TO TEAR APART 1945 CONSTITUTION.

B. CONSTITUTIONALITY: SUHARTO HEAVILY EMPHASIZED NEW ORDER'S ADHERENCE TO PRINCIPLES AND PROCEDURES AS EMBODIED IN 1945 INDONESIAN CONSTITUTION. HE MENTIONED ESTABLISHMENT OF PEOPLE'S COSULTATIVE ASSEMBLY (MPR) AND HOUSE OF PEOPLE'S REPRESENTATIVES (DPR) ON BASIS OF GENERAL ELECTIONS REGULAR MEETINGS OF THESE BODIES, AND ESTABLISHMENT OF SUPREME COURT AND OTHER INSTITUTIONS AS EVIDENCE OF STABLE, CONSTITUTIONAL PRACTICES. HE NOTED UNCLASSIFIED

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PRESIDENT'S RESPONSIBILITY AND ACCOUNTABILITY TO MPR, AND REQUIREMENT THAT PRESIDENT "COLLABORATE" WITH DPR AS EVIDENCE OF DEMOCRATIC NATURE OF 1945 CONSTITUTION. HE ALSO STRESSED "SANCTION" AVAILABLE TO DPR IN FORM OF CALLING SESSION OF MPR SHOULD IT BELIEVE PRESIDENT HAS "VIOLATED" POLICY OF STATE AS CONTAINED IN CONSITITUTION OR MPR DECISIONS. SUHARTO ALSO MENTIONED THAT PROCESS OF HOLDING PRESIDENT TO ACCOUNT COULD BEGIN EVEN BEFORE

NEXT MPR SESSION (WHICH WILL ELECT PRESIDENT), DURING ELECTION CAMPAIGN FOR MEMBERS OF MPR AND DPR. HE STATED THAT "PRESIDENTIAL CANDIDATES OR ELECTORAL GROUPS" COULD PUT FORWARD IN ELECTION CONCEPTS WHICH THEY MIGHT CONSIDER BETTER THAN THOSE OF "OUTGOING PRESIDENT," AND THAT BEST CONCEPTS WOULD WIN MORE VOTES AND THEREFORE INFLUENCE SELECTION OF PRESIDENT. (COMMENT: SUHARTO'S USE OF PHRASE "OUTGOING PRESIDENT" REINFORCED PREVIOUS HINTS THAT HE MAY NOT PLAN TO RUN IN 1978.)

C. CABINET CHANGES. IN DISCUSSING STABILITY IN GOVERNMENT, SUHARTO STRESSED RESPONSIBILITY OF CABINET MINISTERS TOH RESIDENT PERSONALLY RATHER THAN TO DPR. IN INTERESTS OF STABILITY AND CONTINUITY HE BELIEVED IT "APPROPRIATE" THAT PRESIDENT SHOULD AVOID "TOOTS FREQUENT CHANGES" IN CABINET, "EVEN MORE SO IN THE ABSENCE OF ANY PLAUSIBLE REASON." (COMMENT: THIS STATEMENT WILL BE TAKEN AS STRONG INDICATION THAT WIDELY-RUMOREDUPCOMING CABINET CHANGES WILL EITHER NOT OCCUR OR WILL BE LESS THAN KEEPING, AND AS DELIBERATE SUHARTO ATTEMPT TO DISCOURAGE SPECULATION.)

D. FREEDOM OF EXPRESSION. SUHARTO POINTED TO EXISTENCE OF REPRESENTATIVE INSTITUTIONS AT NATIONAL AND REGIONAL LEVEL, FREEDOM OF SPEECH, AND EXISTENCE OF "A PRESS WHICH WE HOPE WILL BECOME A FREE AND RESPONSIBLE PRESS" AS CONSTITUTING SUFFICIENT CHANNELS FOR EXPRESSION OF OPINION. HE STRESSED THAT THERE WAS NO REASON FOR USE OF "METHODS WHICH INVITE DISORDER AND DISTURBANCES, SUCH AS DEMONSTRATIONS ... EVEN LESS SO DEMONSTRATIONS WHICH BRING RIOTS AND CALAMITIES."

E. ORGANIZATIONAL CONSOLDIATION. SUHARTO MENTIONED UNCLASSIFIED

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SUCCESSFUL CONSOLIDATION OF PREVIOUS NINE POLITICAL PARTIES INTO TWO (PLUS GOLKAR), AND CALLED FOR FURTHER CONSOLIDATION OF THESE PARTIES THROUGH ADMISSION OF NEW MEMBERS, PROCESS WHICH SHOULD BE OPEN TO "ALL INDONESIAN NATIONALS." SUHARTO DECRIED PREVIOUS COMPARTMENTALIZATION OF FUNCTIONAL GROUPS SUCH AS YOUTH AND ECONOMIC GROUPS ALONG PARTY LINES, PRAISED RECENT FORMATION OF NATIONAL LABOR FEDERATION AND REPEATED HIS PREVIOUS CALL FOR ITS EXPANSION INTO "EVERY ENTERPRISE," AND CALLED FOR "RE-ORDERING OF OTHER SOCIAL GROUPS" IN SIMILAR FASHION. HE MENTIONED SPECIFICALLY STUDENT AND YOUTH GROUPS (WHICH ARE SUBJECT OF ON-GOING EFFORT TO ESTABLISH GOVERNMENT-SPONSORED NATIONAL ORGANIZATION), AND REASSURED THESE GROUPS THAT GOVENMENT DID NOT INTEND SUCH RE-ORDERING AS A MEANS OF CURBING THEIR FREEDOM OF ASSOCIATION OR

ASSEMBLY.

F. RELIGIOUS FRICTION. SUHARTO CALLED INDONESIAN SOCIAL, ETHNIC AND RELIGIOUS DIVERSITY INEVITABLE AND NATURAL, BUT CITED IMPORTANCE OF HARMONY BETWEEN GROUPS AND SAID RELIGIOUS HARMONY OF PARTICULAR IMPORTANCE. HE CONDEMNED "RIVALRY AMONG RELIGIONS TO ENROLL FOLLOWERS, ESPECIALLY IF IT IS DONE BY FORCE," BUT CAUTIONED PUBLIC NOT TO BE "EASILY DRUGGED BY LIES AND FAKE STORIES" CIRCULATED IN THE NAME OF RELIGION AND NOT TO "PLAY WITH RELIGION," LIKE FIRE. (COMMENT: FORMER STATEMENT CLEARLY ECHOES ISLAMIC COMPLAINT ABOUT CHRISTIAN EVANGELISTIC ACTIVITIES, WHILE STATEMENTS ABOUT AGITATION EQUALLY CLEARLY DIRECTED AT ANTI-CHRISTIAN AGITATION BY SOME ISLAMIC GROUPS.) SUHARTO MENTIONED ISSUE OF WORLD COUNCIL OF CHURCHES CONFERENCE AND SAID THAT WHILE GOI WOULD LIKE TO SEE A MEETING HERE AT "A PROPER TIME" AS TOKEN OF CONFIDENCE IN INDONESIAN RELIGIOUS TOLERANCE, GOI WAS "RELIEVED" AT DECISION BY COUNCIL TO HOLD 1975 MEETING ELSEWHERE BECAUSE OF POSSIBLE EFFECTS OF MEETING AT THIS TIME ON NATIONAL STABILITY.

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G. CLEAN GOVERNMENT. SUHARTO CALLED FOR POSITIVE

STEPS BY GOVERNMENT ORGANIZATIONS TO WIN PEOPLE'S CONFIDENCE AND ENHANCE STABILITY, IN ADDITION TO "PREVENTIVE AND REPRESSIVE" SECURITY MEASURES. HE CITED NEED FOR SECURITY APPARATUS IN PARTICULAR TO "STEP FORWARD AS GENUINE PROTECTORS AND DEFENDERS OF JUSTICE," AND CONDEMNED CORRUPTION AS "ONE OF THE SOURCES OF PEOPLE'S FRUSTRATION." HE RETURNED TO THIS THEME IN HIS DISCUSSION OF ECONOMIC QUESTIONS, NOTING THAT THERE NOW IS NO ECONOMIC REASON FOR CORRUPTION AND THAT CLEANER GOVERNMENT WILL PRODUCE MORE REVENUES WHICH CAN BE USED TO FURTHER IMPROVE THE LIFE OF GOVERNMENT EMPLOYEES AS WELL AS THE NATION. HE STRESSED THAT CIVIL SERVANTS SHOULD SERVE THE PUBLIC RATHER THAN EXPECT THE PUBLIC TO SERVE (I.E., COMPENSATE) THEM. HE CALLED FOR EACH GOVERNMENT AGENCY TO TAKE MEASURES TO ELIMINATE CORRUPT ACTIVITIES. (COMMENT: AS EMBASSY HAS OFTEN NOTED IN PAST, THIS TYPE OF IMPROVEMENT IS MORE EASILY ORDERED THAN IMPLEMENTED.)

2. FOREIGN POLICY. SUHARTO TIED FOREIGN POLICY STATE-
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MENTS TO ECONOMIC DEVELOPMENT GOAL BY SAYING THAT INTERNATIONAL TENSIONS OR ECONOMIC CRISES DIRECTLY AFFECT AXL NATIONS AND THAT INDONESIA'S "INDEPENDENT AND ACTIVE" FOREIGN POLICY IS DEVOTED TO ECONOMIC DEVELOPMENT THROUGH IMPROVED INTERNATIONAL ECONOMIC RELATIONS.

A. ASEAN AND ASIA-PACIFIC REGION. SUHARTO SAID ECONOMIC COOPERATION WITHIN THE REGION WOULD ENABLE ALL NATIONS OF AREA TO FIGHT ECONOMIC BACKWARDNESS, ACHIEVE "NATIONAL RESILIENCE," AND AVOID "THE POSSIBILITY OF BECOMING AN AREANA OF CONFLICTS AMONGST BIG FORCES FROM OUTSIDE." HE SAID ASEAN COULD HELP ITS MEMBER STATES SETTLE DIFFERENCES BETWEEN THEM AND ADVANCE THE GROUP'S RELATIONS WITH OUTSIDE NATIONS AND GROUPINGS SUCH AS THE EEC.

B. INTERNATIONAL PEACEKEEPING. SUHARTO MENTIONED INDONESIAN PARTICIPATION IN ICCS AND MID-EAST UN FORCE AS PART OF INDONESIA'S EFFORT TO STRENGTHEN "PEACE AND DEVELOPMENT" IN THE WORLD. HE ALSO SAID: "WE ARE FULLY AWARE OF THE EXPECTATIONS OF THE WORLD THAT WE SHOULD PLAY A BIGGER ROLE IN THE STRENGTHENING OF STABILITY AND PEACE IN THIS REGION. WE ARE FULLY AWARE OF THESE EXPECTATIONS BECAUSE WE INDEED HAVE THE POTENTIALS TO REALIZE THEM."

C. ISLAMIC NATIONS. NOTING THAT INDONESIA IS NOT AN ISLAMIC STATE, SUHARTO STATED GOI NEVERTHELESS CONSI-

DRED ITS ATTENDANCE AT ISLAMIC CONFERENCES TO HAVE BEEN USEFUL AND THAT INDONESIAN MEMBERSHIP IN NEWLY-ESTABLISHED ISLAMIC DEVELOPMENT BANK IS "A GREAT HONOR" IN VIEW OF FACT THAT "GREAT MAJORITY " OF INDONESIAN PEOPLE ARE MOSLEM.

D. ARCHIPELAGO THEORY. SUHARTO SAID INDONESIAN UNITY AND SOLIDARITY DEPENDED ON BEING ABLE TO CONTROL "THE SEAS AND ALL THE STRAITS" IN THE ARCHIPELAGO AS WELL AS "THE BOTTOM OF THE SEAS AND THE NATURAL RESOURCES IN IT." HE SAID HE BELIEVED THAT THE ARCHIPELAGO CONCEPT WOULD "IN THE END BE ACCEPTED BY THE NATIONS OF THE WORLD."

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E. RELATIONS WITH SOCIALIST COUNTRIES. SUHARTO REPEATED PREVIOUSLY-STATED GOI POSITION THAT NEW EXPLORATION OF POSSIBILITIES OF PARTICIPATION BY SOCIALISTS COUNTRIES IN INDONESIAN ECONOMIC DEVELOPMENT REPRESENTED NO CHANGE IN INDONESIA'S POLITICAL ORIENTATION. HE NOTED THAT THIS EXPLORATION WAS BASED SIMPLY ON INDONESIA'S ABILITY TO ACCEPT HARDER TERMS FOR STILL-NEEDED ASSISTANCE, AND WAS NO MORE OF A DEVIATION FROM GOI'S INDEPENDENT FOREIGN POLICY LINE THAN ACCEPTANCE OF AID FROM IGCI COUNTRIES HAD BEEN IN FIRST YEARS OF NEW ORDER GOVERNMENT.

3. ECONOMIC AFFAIRS. SUHARTO ANNOUNCED NO NEW DIRECTIONS IN ECONOMIC POLICY IN STATE ADDRESS, BUT DEVOTED MORE TIME TO EXPLAINING AND JUSTIFYING GOI POLICIES IN TERMS OF BENEFITS TO PEOPLE THAN HE HAS IN PAST SPEECHES.

A. REVIEW OF FIRST FIVE YEAR PLAN, 1968-1973 (REPELITA I). SUHARTO PRAISED SUCCESSFUL COMPLETION OF REPELITA I, SAYING IT HAD VISIBLY IMPROVED POPULAR STANDARD OF LIVING AND SUBSTANTIALLY IMPROVED INFRA-STRUCTURE. BASIC NEEDS FOR FOOD AND OTHER STAPLES WERE BEING MET; MALNUTRITION IS NOW RARE. AS RESULT OF 100 PERCENT INCREASE IN TEXTILE PRODUCTION PEOPLE ARE ADEQUATELY CLOTHED. PEOPLE SHOULD UNDERSTAND THAT MANY CURRENT PROBLEMS AND SHORTAGES ARE RESULT OF NEW DEMANDS CREATED BY PROGRESS; HE CITED NEEDS FOR FERTILIZER, TRANSISTOR RADIOS, AND ROADS AS EXAMPLES OF SUCH GROWING PAINS. LACK OF SOCIAL JUSTICE AND UNEMPLOYMENT REMAIN SERIOUS PROBLEMS; AND CONTINUING SHORTAGES OF HOUSING, EDUCATION AND MEDICAL CARE WILL TAKE MORE THAN JUST A FEW YEARS TO OVERCOME.

B. CURRENT ECONOMIC SITUATION AND POLICIES. SUHARTO STRONGLY EMPHASIZED NEED FOR CONTROLLING INFLATION AND

STABILITY OF RUPIAH TO PROTECT CONTINUED DEVELOPMENT.
HE ACKNOWLEDGED SUCCESS IN ELIMINATING HYPER-INFLATION OF
SUKARNO ERA, BUT SAID RENEWED INFLATION (27 PERCENT IN 1973
AND 47 PERCENT INFLATION IN FY 73/74) NECESSITATED STERN ANTI-
INFLATIONARY MEASURES ADOPTED BY GOVERNMENT IN EARLY
1974. THESE INCLUDED STEPS TO REDUCE MONEY IN CIRCULATION
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AND ENCOURAGE SAVING; NE NOTED THAT THEY HAVE ALREADY
ACHIEVED DECLINE IN SPECULATION, EP PERCENT INCREASE IN BANK
DEPOSITS, REDUCED HOARDING, AND SMOOTHER FLOW OF GOODS.

PRESIDENT NOTED THAT POSITION OF RUPIAH VIS-A-VIS
DOLLAR HAS REMAINED SUFFICIENTLY STABLE AND AS RESULT
GOI AND IMF HAVE AGREED TO INCLUDE RUPIAH IN IMF "CURRENCY
BUDGET." THIS REPRESENTS "NEW CHAPTER IN HISTORY OF THE
RUPIAH," HE SAID, AND DENIED RUMORS THAT GOVERNMENT IS
CONTEMPLATING DEVALUATION.
PRESIDENT EMPHASIZED THAT GOVERNMENT SUBSIDIES OF SOME
BASIC COMMODITIES SUCH AS RICE, FERTILIZER AND SUGAR
IN EFFECT SINCE 1966 WERE ESSENTIAL TO PROTECT LOW-INCOME
CONSUMERS FOR EXTERNAL PRICE FLUCTUATIONS AND ENCOURAGE
DEVELOPMENT. HE SAID IT WOULD BE "IRRESPONSIBLE" TO
REMOVE THESE IN VIEW OF CURRENT WORLD ECONOMIC INSTABILITY.
INCREASED DOMESTIC PRODUCTION LEADING TO SELF SUFFICIENCY
IN THESE COMMODITIES IS GOVERNMENT'S ULTIMATE AIM, AND
WILL ENABLE END TO TEMPORARY SUBSIDIES.

C. FOREIGN INVESTMENT. SUHARTO SAID FOREIGN CAPITAL
WILL CONTINUE TO PLAY PART IN DEVELOPMENT BUT THAT PROPER
BALANCE BETWEEN FOREIGN AND DOMESTIC CAPITAL WOULD BE
MAINTAINED. IN ORDER TO ACHIEVE BALANCE, CERTAIN FIELDS
WOULD BE CLOSED FOR FOREIGN INVESTORS; JOINT VENTURES
BETWEEN FOREIGN AND DOMESTIC ENTREPRENEURS WOULD BE
DEVELOPED TO GUARANTEE GROWING ROLE IN INDONESIAN
PARTNER IN OWNERSHIP AND MANAGEMENT; AND LOCAL PARTNERS
WOULD BE INDIGENOUS (I.E., NON- CHINESE) INDONESIANS OR
STATE ENTERPRISES. SUHARTO STRESSED THAT FOREIGN ENTER-
PRISES SHOULD SYSTEMATICALLY INCREASE EMPLOYMENT OF
INDONESIANS AND PROVIDE TRAINING WHERE LOCAL SKILLS
UNAVAILABLE.

D. SECOND FIVE YEAR PLAN (REPELITA II). SUHARTO
SAID REPELITA II WOULD BROADEN AND ACCELERATE DEVELOPMENT
IN ALL FIELDS AND WOULD EMPHASIZE ACHIEVEMENT OF SOCIAL
JUSTICE THROUGH IMPROVED BALANCE BETWEEN ECONOMIC AND
NON-ECONOMIC FIELDS OF DEVELOPMENT. EXPANDED DEVELOPMENT
UNDER REPELITA II WAS MADE POSSIBLE, HE SAID, THOUGH
GREATLY EXPANDED TAX AND FOREIGN EXCHANGE REVENUES,
RESULTING IN PART FROM INCREASED EXPORT PRICES. HE
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WARNED, HOWEVER, THAT INCREASED EXPORT REVENUES HAD BEEN PARTIALLY OFFSET BY INCREASED IMPORT PRICES AND OBSERVED CURRENT TREND TOWARD DECLINE IN PRICES OF SOME NON-OIL EXPORTS.

INDUSTRIAL POLICY DURING REPELITA II WILL CONTINUE TO STRESS DEVELOPMENT OF RAW MATERIALS-RELATED INDUSTRIES SUCH AS ALUMINUM, OIL AND NATURAL GAS REFINING, THERMAL AND ELECTRIC POWER AND STEEL BLAST FURNACES, SUHARTO SAID. THERE WILL ALSO BE INTENSIFIED DOUBLE CROPPING OF RICE AND MASS GUIDANCE IN OTHER FIELDS SUCH AS FISHERIES, CATTLE AND PLANTATIONS.

IN NON-ECONOMIC DEVELOPMENT ACTIVITIES UNDER REPELITA II, SUHARTO PROMISED BETTER EDUCATIONAL AND HEALTH FACILITIES AND HOUSING, AS WELL AS MORE ATTENTION TO "ECONOMICALLY WEAK GROUPS," COOPERATIVES AND LEGAL INSTITUTIONS.

EXPANDED EMPLOYMENT WILL BE A KEY OBJECTIVE OF REPELITA II, SUHARTO SAID, NOTING AGAIN THAT THIS PROBLEM HAD NOT BEEN OVERCOME UNDER REPELITA I. HE SAID THE DEVELOPMENT BUDGET WILL CONCENTRATE ON LABOR-INTENSIVE PROJECTS AND THAT FOREIGN AND DOMESTIC CAPITAL INVESTMENT POLICIES WILL GIVE HIGH PRIORITY TO LABOR-ABSORBING PROJECTS.
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